



BILLING CODE 7535-01-U

## **NATIONAL CREDIT UNION ADMINISTRATION**

**12 CFR Parts 701, 741, and 746**

**RIN 3133-AF88**

### **Third-Party Servicing of Indirect Vehicle Loans**

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Proposed rule.

**SUMMARY:** The NCUA Board (Board) is seeking comment on a proposed rule that would remove the NCUA’s unnecessarily prescriptive regulation regarding third-party servicing of indirect vehicle loans. This action would reduce regulatory burden and provide credit unions with greater operational flexibility, consistent with a principles-based supervisory approach. The intent is to reduce administrative costs and compliance complexity, enabling credit unions to serve their members more efficiently.

**DATES:** Comments must be received by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** Comments may be submitted in one of the following ways. **(Please send comments by one method only):**

- *Federal eRulemaking Portal:* <https://www.regulations.gov>. The docket number for this proposed rule is NCUA–2026–0628. Follow the “Submit a comment” instructions. If you are reading this document on [federalregister.gov](https://federalregister.gov), you may use the green “SUBMIT A PUBLIC COMMENT” button beneath this rulemaking’s

title to submit a comment to the regulations.gov docket. A plain language summary of the proposed rule is also available on the docket website.

- *Mail:* Address to Melane Conyers-Ausbrooks, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.
- *Hand Delivery/Courier:* Same as mailing address.

Mailed and hand-delivered comments must be received by the close of the comment period.

*Public inspection:* Please follow the search instructions on <https://www.regulations.gov> to view the public comments. Do not include any personally identifiable information (such as name, address, or other contact information) or confidential business information that you do not want publicly disclosed. All comments are public records; they are publicly displayed exactly as received and will not be deleted, modified, or redacted. Comments may be submitted anonymously. If you are unable to access public comments on the internet, you may contact the NCUA for alternative access by calling (703) 518-6540 or emailing [OGCMail@ncua.gov](mailto:OGCMail@ncua.gov).

**FOR FURTHER INFORMATION CONTACT:** John H. Brolin or Ariel Pereira, Senior Staff Attorneys, Office of General Counsel, at (703) 518-6540; or by mail at National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314.

**SUPPLEMENTARY INFORMATION:**

## **I. Introduction**

### *A. Background*

In 2006 the NCUA approved a final rule<sup>1</sup> (2006 Final Rule) governing federally insured credit union purchases of indirect vehicle loans serviced by third parties, which is codified in §§ 701.21(h) and 741.203(c) of the NCUA's regulations. At that time, the Board recognized that indirect lending has certain advantages for credit unions, such as growth in membership and loans. The Board was concerned, however, that some credit unions may involve themselves in indirect lending programs without adequate due diligence, appropriate controls, or sufficient experience with a third-party servicer. At that time, the Board thought this could create undue risk where a third party manages a credit union's relationship with automobile dealers and with credit union members whose loans the third party services.

The resulting regulation governing third-party servicing of indirect vehicle loans set prescriptive, inflexible limits on the aggregate amount of indirect loans and participations in indirect loans. The rule limits the aggregate amount of indirect loans and participations in indirect loans a credit union may purchase from any one servicer to 50 percent of the credit union's net worth, which, after 30 months of experience with a particular servicer, the rule increases the limit to 100 percent of net worth. These requirements create a rigid, one-size-fits-all framework that is unduly burdensome for credit unions. The Board believes that a credit union's board is in the best position to develop policies that are appropriately scaled to its activities. Removing the NCUA's current regulatory requirements would reduce regulatory burden and provide credit

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<sup>1</sup> 71 FR 36661 (Jun. 28, 2006).

unions with greater operational flexibility, consistent with a principles-based supervisory approach. Accordingly, the proposed rule would remove these prescriptive requirements and allow credit union boards to develop their own policies.

Credit union boards will continue to be responsible for developing policies and procedures that protect the safety and soundness of the credit union and ensure that their purchases of indirect vehicle loans serviced by third parties are appropriately scaled for the credit union's size and the complexity of the transactions. If this proposal is adopted as final, the NCUA will continue to monitor credit unions' purchases of indirect vehicle loans serviced by third parties through the examination process.

#### *B. Legal Authority*

The Board has the legal authority to issue this final rule pursuant to its plenary rulemaking authority under the Federal Credit Union Act and its specific rulemaking authority under the various provisions the Board administers.<sup>2</sup>

## **II. Proposed Rule**

### *A. § 701.21 Loans to Members and Lines of Credit to Members*

*§ 701.21(h) Third party servicing of indirect vehicle loans.* Current § 701.21(h)(1) limits the aggregate amount of indirect vehicle loans and participations in indirect vehicle loans a federal credit union may purchase from any one servicer to 50 percent of the credit union's net worth. After 30 months of experience with a particular servicer, paragraph (h)(1) increases the limit to 100 percent of net worth. Paragraph (h)(2) sets forth a process for a federal credit union to request a waiver from the concentration limits from its Regional Director. Paragraph (h)(3) sets forth a timeline for the NCUA to

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<sup>2</sup> 12 U.S.C. 1766, 1757, 1789.

provide written responses to waiver requests. Paragraph (h)(4) defines various terms, including the term “third-party servicer,” which excludes federally insured depositories, wholly owned subsidiaries of those depositories, and certain servicing entities.

As previously discussed, the provisions in § 701.21(h) impose a prescriptive framework for the purchase of indirect vehicle loans serviced by third parties, which is unduly burdensome for credit unions. The Board believes that a federal credit union’s board is in the best position to develop policies that are appropriately scaled to its purchases of indirect vehicle loans serviced by third parties. Accordingly, the proposed rule would remove current paragraph (h) from § 701.21.

*B. § 741.203 Minimum Loan Policy Requirements*

§ 741.203(c). Current § 741.203(c) provides that federally insured, state-chartered credit unions must adhere to the requirements set forth in § 701.21(h) concerning third-party servicing of indirect vehicle loans. Paragraph (c) also requires that, before a state-chartered credit union applies to a Regional Director for a waiver under § 701.21(h)(2), it must first notify its state supervisory authority. In addition, paragraph (c) states that the Regional Director will not grant a waiver unless the appropriate state official concurs in the waiver. Finally, paragraph (c) provides that the 45-day period for the Regional Director to act on a waiver request, as described in § 701.21(h)(3), will not begin until the Regional Director has received the state official’s concurrence and any other necessary information.

The provisions in § 741.203(c) impose the same prescriptive framework in § 701.21(h) on federally insured, state-chartered credit unions for the purchase of indirect vehicle loans serviced by third parties. The Board also believes that a federally insured,

state-chartered credit union's board is in the best position to develop policies that are appropriately scaled to its purchases of indirect vehicle loans serviced by third parties. Accordingly, consistent with the removal of § 701.21(h), the proposed rule would also remove current paragraph (c) from § 741.203(c).

*C. § 746.201 Authority, Purpose, and Scope*

*§ 746.201(c) Scope.* Current § 746.201(c) lists rule sections and subsections covered under part 746, subpart B for appeals of initial agency determinations by a program office, which the petitioner has a right to appeal to the Board. Among other things, paragraph (c) lists § 701.21(h)(3), which this proposal would remove.

Accordingly, this proposal would remove the citation to § 701.21(h)(3) consistent with the changes made by this proposed rule.

### **III. Regulatory Procedures**

*A. Providing Accountability Through Transparency Act of 2023*

The Providing Accountability Through Transparency Act of 2023 (5 U.S.C. 553(b)(4)) (Act) requires that a notice of proposed rulemaking include the internet address of a summary of not more than 100 words in length of a proposed rule, in plain language, that shall be posted on the internet website under section 206(d) of the E-Government Act of 2002 (44 U.S.C. 3501 note) (commonly known as regulations.gov).

In summary, the proposed rule would streamline the NCUA's regulations governing the organization and operation of federally insured credit unions by eliminating several provisions that are outdated, redundant, or unnecessarily prescriptive. Specifically, the proposal would remove the NCUA's regulation regarding third-party servicing of indirect vehicle loans. This action would reduce regulatory burden and

provide credit unions with greater operational flexibility, consistent with a principles-based supervisory approach. The intent is to reduce administrative costs and compliance complexity, enabling credit unions to serve their members more efficiently.

The proposal and the required summary can be found at <https://www.regulations.gov>.

*B. Executive Orders 12866, 13563, 14192*

Pursuant to Executive Order 12866 (“Regulatory Planning and Review”), as amended by Executive Order 14215, a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the executive order.<sup>3</sup> Executive Order 13563 (“Improving Regulation and Regulatory Review”) supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.<sup>4</sup> This proposed rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. OMB has determined that this proposed rule is not a “significant regulatory action” as defined in section 3(f) of Executive Order 12866.

Executive Order 14192 (“Unleashing Prosperity Through Deregulation”) requires that any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.<sup>5</sup> This proposed rule is expected to be a deregulatory action for purposes of Executive Order 14192.

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<sup>3</sup> 58 FR 51735 (Oct. 4, 1993).

<sup>4</sup> 76 FR 3821 (Jan. 21, 2011).

<sup>5</sup> 90 FR 9065 (Feb. 6, 2025).

### *C. The Regulatory Flexibility Act*

The Regulatory Flexibility Act<sup>6</sup> generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. If the agency makes such a certification, it shall publish the certification at the time of publication of either the proposed rule or the final rule, along with a statement providing the factual basis for such certification.<sup>7</sup> For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets.<sup>8</sup> The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The proposed rule would remove the NCUA's regulation regarding third-party servicing of indirect vehicle loans. This action would reduce regulatory burden and provide credit unions with greater operational flexibility, consistent with a principles-based supervisory approach. The intent is to reduce administrative costs and compliance complexity, enabling credit unions to serve their members more efficiently. The NCUA certifies the proposed rule would not have a significant economic impact on a substantial number of small credit unions.

### *D. The Paperwork Reduction Act*

The Paperwork Reduction Act of 1995 (PRA) generally provides that an agency may not conduct or sponsor, and notwithstanding any other provision of law, a person is not required to respond to, a collection of information, unless it displays a currently valid

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<sup>6</sup> 5 U.S.C. 601 *et seq.*

<sup>7</sup> 5 U.S.C. 605(b).

<sup>8</sup> 80 FR 57512 (Sept. 24, 2015).

Office of Management and Budget control number. The PRA applies to rulemakings in which an agency creates a new or amends existing information collection requirements. For purposes of the PRA, an information-collection requirement may take the form of a reporting, recordkeeping, or a third-party disclosure requirement. The NCUA has determined that the changes addressed in this notice do not create a new information collection or revise an existing information collection as defined by the PRA.

*E. Executive Order 13132 on Federalism*

Executive Order 13132 encourages certain agencies to consider the impact of their actions on state and local interests.<sup>9</sup> The NCUA, an agency as defined in 44 U.S.C. 3502(5), complies with the executive order to adhere to fundamental federalism principles. The proposed rule would not have substantial direct effects on the states, on the relationship between the National Government and the states, or on the distribution of power and responsibilities among the various levels of government. The rule would remove a prescriptive limitation that currently applies to federally insured, state-chartered credit unions, which would remove a federally imposed restriction on state-chartered entities. The NCUA has determined that this rule would not constitute a policy that has federalism implications for purposes of the executive order.

*F. Assessment of Federal Regulations and Policies on Families*

The NCUA has determined that this rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act.<sup>10</sup>

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<sup>9</sup> “Federalism,” E.O. 13,132 (Aug. 10, 1999).

<sup>10</sup> Pub. L. 105–277, sec. 654, 112 Stat. 2681, 2681-528 (1998).

## **List of Subjects**

### **12 CFR Part 701**

Advertising, Aged, Civil rights, Credit, Credit unions, Fair housing, Individuals with disabilities, Insurance, Marital status discrimination, Mortgages, Religious discrimination, Reporting and recordkeeping requirements, Sex discrimination, Signs and symbols, Surety bonds.

### **12 CFR Part 741**

Bank deposit insurance, Credit, Credit unions, Reporting and recordkeeping requirements.

### **12 CFR Part 746**

Administrative practice and procedure, Claims, Credit unions, Investigations.

By the National Credit Union Administration Board.

**Melane Conyers-Ausbrooks,**

*Secretary of the Board.*

For the reasons discussed above, the NCUA Board proposes to amend 12 CFR parts 702, 741, and 746 as follows:

### **Part 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS**

1. The authority section continues to read as follows:

**Authority:**12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1785, 1786, 1787, 1788, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 et seq.; 42 U.S.C. 1981 and 3601-3610. Section 701.35 is also authorized by 42 U.S.C. 4311-4312.

**§ 701.21 [Amended]**

2. In § 701.21, remove paragraph (h).

**PART 741—REQUIREMENTS FOR INSURANCE**

3. The authority section continues to read as follows:

**Authority:**12 U.S.C. 1757, 1766(a), 1781-1790, and 1790d; 31 U.S.C. 3717.

**§ 741.203 [Amended]**

4. In § 741.203, remove paragraph (c).

**PART 746—APPEALS PROCEDURES**

5. The authority section continues to read as follows:

**Authority:**12 U.S.C. 1766, 1787, and 1789.

**§ 746.201 [Amended]**

6. In § 746.201, amend paragraph (c) by removing the citation “701.21(h)(3)”.

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